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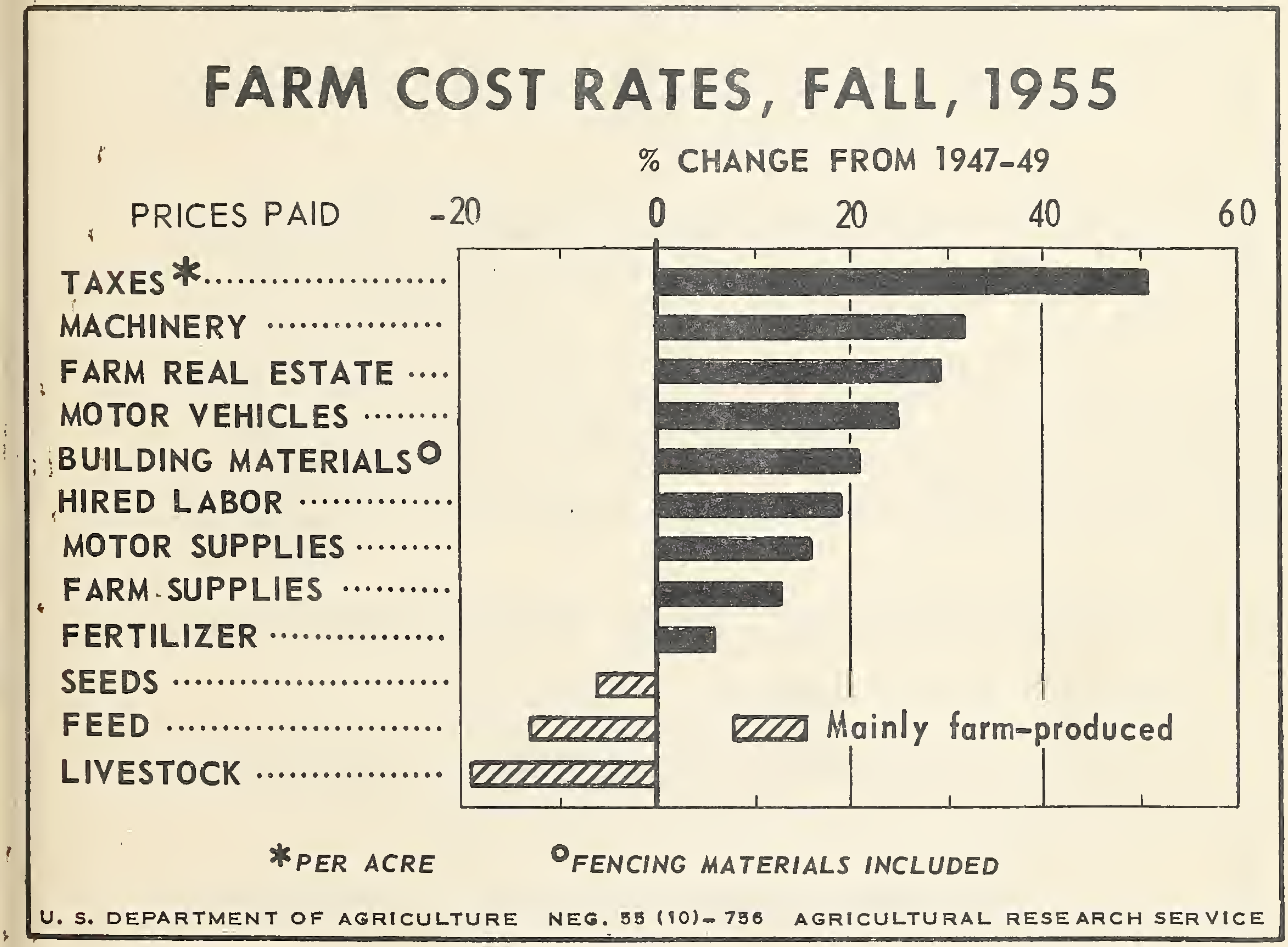
1956 OUTLOOK ISSUE
FOR RELEASE NOV. 28, A. M.

THE FARM COST SITUATION

Agricultural Research Service
UNITED STATES DEPARTMENT OF AGRICULTURE

ARS 43-23 (FCS-19) NOVEMBER 1955



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U. S. DEPARTMENT OF AGRICULTURE NEG. 55 (10)-756 AGRICULTURAL RESEARCH SERVICE

Cost rates and prices paid by farmers for goods and services used in production are about 11 percent higher this fall than they were in 1947-49. Production items that are lower in price are mainly those that originate on farms.

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Index numbers (1947-49=100)

Year or period	Commodities, interest, taxes, and wage rates	Commodities only	Feed	Livestock	Motor supplies	Motor vehicles	Farm machinery	Farm supplies	Building and fencing materials	Ferti-lizer	Seed	Wage rates
1910-14	39	42	43	29	---	---	42	42	34	70	41	23
1915-19	59	63	68	44	---	---	54	70	48	101	62	34
1920-24	65	61	60	33	---	---	65	77	57	101	60	42
1925-29	65	61	58	44	94	49	64	73	54	92	60	43
1930-34	50	47	39	25	74	49	61	61	47	75	40	28
1935-39	49	52	45	36	74	56	64	60	49	71	49	28
1940	49	52	43	41	71	56	64	62	49	69	42	30
1941	53	55	47	46	74	59	65	66	53	69	40	35
1942	60	62	57	54	79	64	69	73	58	76	54	46
1943	68	69	68	61	81	67	71	82	60	81	68	61
1944	73	73	75	58	82	73	73	86	64	83	77	74
1945	77	74	74	63	82	75	74	87	66	84	79	83
1946	83	81	87	72	84	77	76	88	72	85	81	90
1947	95	95	102	90	92	90	86	95	93	93	93	97
1948	104	105	109	111	103	100	101	100	104	102	109	103
1949	101	100	89	99	105	110	113	105	103	105	98	100
1950	104	104	91	116	106	110	115	105	105	101	94	99
1951	115	115	102	141	111	118	124	112	117	106	96	109
1952	117	116	109	118	112	123	129	119	118	109	109	117
1953	112	106	98	83	114	122	130	120	118	110	100	119
1954	112	106	98	85	116	123	131	117	119	108	93	119
Aug.	111	105	98	80	---	---	---	---	---	---	---	---
Sept.	111	106	98	82	115	123	131	115	119	108	93	---
Oct.	111	105	96	83	---	---	---	---	---	---	---	117
Nov.	111	106	96	85	---	---	---	---	---	---	---	---
Dec.	111	105	97	82	116	122	131	117	119	---	---	---
1955												
Jan.	114	107	97	88	---	124	---	---	---	---	---	121
Feb.	115	108	97	89	---	---	---	---	---	---	105	---
Mar.	115	108	96	92	116	125	131	115	120	---	104	---
Apr.	114	107	95	91	---	---	---	115	---	107	104	120
May	113	106	94	84	---	---	---	---	---	---	104	---
June	113	105	93	85	116	125	132	113	121	---	---	---
July	112	105	91	81	---	124	---	---	---	---	---	119
Aug.	111	104	89	80	---	---	---	---	---	---	---	---
Sept.	111	104	87	81	116	126	134	113	123	106	94	---
Oct.	111	104	87	82	---	---	---	---	---	---	---	120

Agricultural Marketing Service.

THE FARM COST SITUATION

Approved by the Outlook and Situation Board, November 17, 1955

CONTENTS

	Page
General situation	3
Farm labor	6
Farm power and machinery	8
Feed	12
Seed	15
Fertilizer	17
Building materials	18
Farm supplies	19
Pesticides	19
Farm real estate	19
Interest, taxes, and insurance	22
Cost situation on 21 types of farms	26

GENERAL SITUATION

The general level of farm costs has changed very little in the last year. The index of prices paid by farmers for goods and services used in production, including interest, taxes, and wage rates was the same in mid-October as it was a year earlier and little overall change is expected in 1956.

Significant divergent movements of individual cost rates have taken place in recent years. In general, farm cost items that are mainly farm-produced--such as feed, seed, and livestock--have gone down in price, whereas wage rates, taxes, and prices paid for many industrial items have gone up. These divergent trends of farm cost rates continued from 1954 to 1955.

Farm cost rates expected in 1956 relative to 1955 are as follows:

Prices of feed and seeds are expected to be somewhat lower on the average.

Prices of fertilizer, farm supplies, and livestock for feeding and replacement are expected to remain fairly stable.

Farm wage rates, interest rates, and prices of building and fencing materials, farm machinery, motor vehicles, and motor supplies are expected to average slightly higher.

Farm property taxes per acre are expected to be about 5 percent higher.

Cost-Price Relationship

Farm cost rates relative to prices received have returned to about the average level for the 21 years between two world wars, 1919 through 1939, and the level that existed in the late thirties. The present relationship is considerably less favorable than the average for the last 15 years. The ratio of prices paid by farmers for production items, interest, taxes, and wage rates to prices received (annual basis) was more favorable to farmers in 1947 than in any year since 1918. Since 1947, however, prices paid have tended to rise while prices received have declined after reaching a peak in 1951.

With both farm commodity prices and cost rates expected to average near current levels next year, the outlook is for the farm cost-price relationship also to average close to the current level in 1956. However, important changes may occur by type of farm because of differences in composition of costs and commodities produced.

Production Expenditures

Farmers' expenditures for all goods and services used in production have been fairly stable since 1953. They are currently about 15 percent above the average for 1947-49 and about 4 times as high as they were in 1935-39. They are expected to remain high in 1956 because cost rates are expected to remain high and because the trend toward more specialized and more commercialized farms is expected to continue. Many farmers are still in the process of modernizing their buildings and operations to make farm work easier and to reduce their unit costs of production.

Costs in Longer Term Perspective

Although overall cost rates relative to prices received are about the same as in the late thirties, this is not true for many individual items. Farm wage rates, for example, have quadrupled since 1935-39, whereas prices of some production items like fertilizer and gasoline have increased less than half as much (fig. 1 left). Relative to the composite index of all farm cost rates and prices paid, wage rates have increased while prices of some important production items have declined (fig. 1 right). Prices of farm-produced commodities rose sharply in the war and postwar periods but are now below where they were in 1935-39 in relation to all cost rates.

The tendency for farm wage rates to increase in relation to other cost rates was pronounced during World War II. Since 1947-49 individual cost rates have not changed as rapidly in relation to one another as during the World War II period. Wage rates declined relative to the composite index from 1945 to 1950 but increased from 1951 to 1953.

Significant changes in farming methods have accompanied the varied movement of farm cost rates. Expenditures for hired labor have not kept pace with increases in farm wage rates while expenditures for feed, seed,

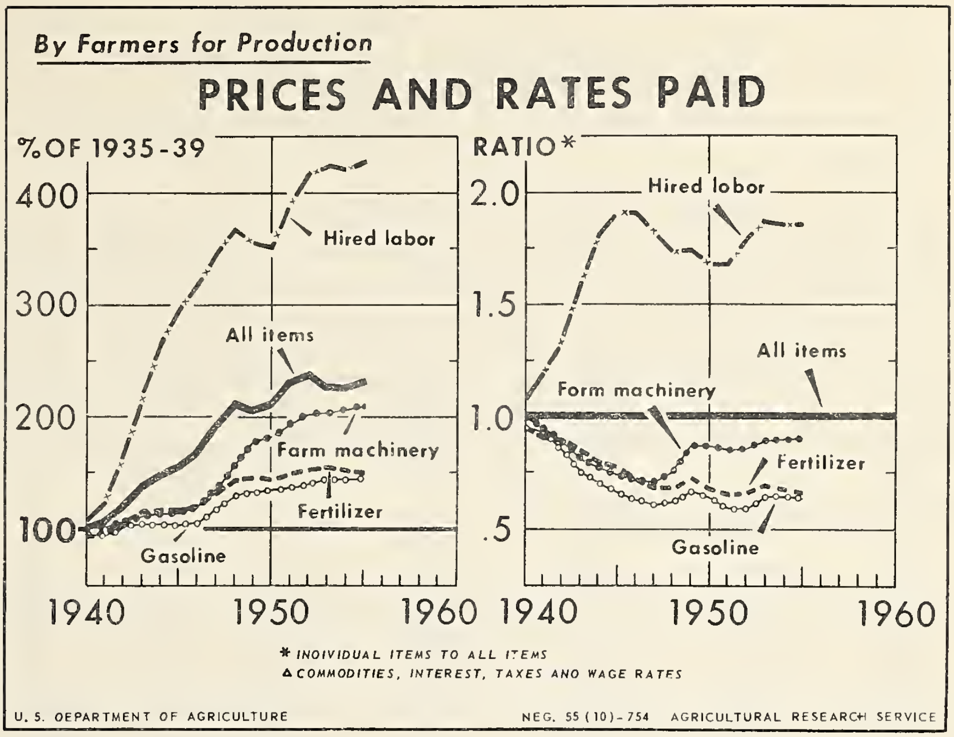

Figure 1

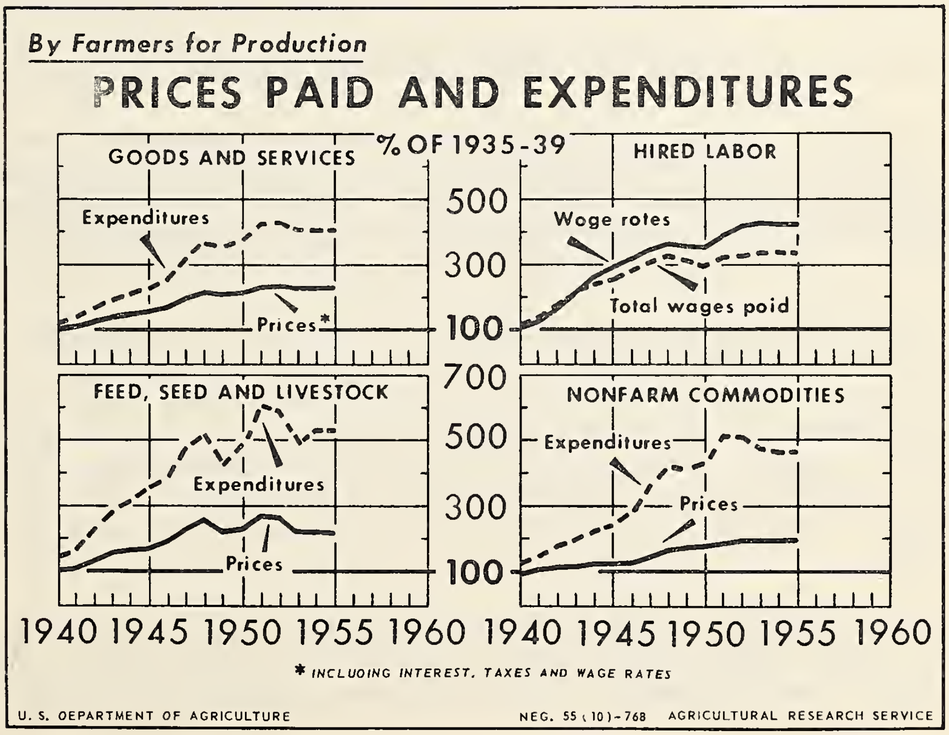

Figure 2

and livestock and for nonfarm production goods have increased faster than their respective cost rates (fig. 2). Both changes in cost rates and technological developments have favored the substitution of nonfarm goods for hired labor. Specialization in farming has increased and this accounts for part of the increase in expenditures for feed, seed, and livestock.

But these changes have not been universal. Some farmers have not been able to adjust their farming practices to fit the changed relationship among farm cost rates. But others have been able to reduce their unit costs of production enough to offset the unfavorable changes in prices. They have been able to do this mainly by increasing output per man-hour. The use of more labor-saving machinery and more commercial fertilizer, and the enlargement of farms have raised the average level of efficiency of farm production considerably in recent years.

Variations in Costs by Type of Farm

While the overall pattern of costs reflects the average situation throughout the United States, important differences exist among types of farms. From 1947-49 to 1954, for example, increases in cost rates on major types of farms ranged from 5 percent on irrigated cotton farms in the High Plains area of Texas to 22 percent on cash-grain farms in the Corn Belt. Among 21 types of farms studied, increases in cost per unit of production ranged from 1 to 40 percent. Local weather conditions were partly responsible for these varied changes in production costs.

Changes in cost rates from 1954 to 1955 on 4 selected types of farms were small. The prices paid for cost items on these farms ranged from 0 to 3 percent higher.

FARM LABOR

Farm wage rates have changed relatively little in the last 3 years. Actually, they eased downward a little from 1953 to 1954 but went up slightly from 1954 to 1955. They are now about 20 percent above 1947-49 levels and 300 percent above what they were in 1940 (table 1). A slight increase in farm wage rates is expected in 1956.

Prior to 1950 gross farm income per man-hour and farm wage rates tended to move in the same direction and at about the same rate. Since 1952 gross farm income has receded while farm wage rates have risen. Gross farm income per man-hour in 1955 is expected to be down by more than 3 percent from a year ago chiefly because of lower prices for farm products. Farm wage rates, however, are slightly higher chiefly because of the ease of obtaining nonagricultural employment in which higher wage rates prevail.

As compared with relationships that existed before World War II, farm wages are now much higher than cost rates of other inputs in farming. Farmers have responded to the relatively high labor cost by

Table 1.- Labor used on farms, labor productivity, wage rates and related data, United States, 1940-55 1/

Index numbers (1947-49=100)

Year	Farm employment			Man-hours of farm work 3/	Farm output 4/	Farm output per man-hour	Gross farm income per man-hour	Farm wage rates 5/
	Total 2/	Family 2/	Hired					
1940	107	104	117	120	83	69	28	30
1941	104	101	116	117	86	74	35	35
1942	103	100	112	122	96	79	46	46
1943	102	101	107	121	94	78	56	61
1944	100	100	98	120	97	81	60	74
1945	98	99	93	112	96	86	68	83
1946	101	102	96	108	98	91	81	90
1947	102	102	99	103	95	92	99	97
1948	101	101	102	100	104	104	103	103
1949	97	97	99	97	101	104	98	100
1950	91	91	91	89	100	112	108	99
1951	88	88	87	91	103	113	122	109
1952	85	85	84	89	107	120	124	117
1953	84	84	85	88	108	123	120	119
1954	83	82	84	86	108	126	119	119
1955 6/	80	79	83	86	112	130	115	120

1/ Data on farm employment, wage rates, and farm income are from the Agricultural Marketing Service, United States Department of Agriculture.

2/ Includes farm operators and members of their families.

3/ Total man-hours of farmwork in terms of the time required by average adult male workers.

4/ Net calendar-year production for eventual human use.

5/ Simple average of seasonally adjusted quarterly indexes.

6/ Preliminary. Estimates of farm output and man-hours for 1955 based on October 1955 "Crop Production" report and other releases of the Agricultural Estimates Division, Agricultural Marketing Service.

reducing labor and substituting machinery and other inputs. This type of substitution has taken place on all types of farms. It has been more pronounced, however, on crop than on livestock farms chiefly because many livestock enterprises have proved more difficult to mechanize (fig. 3). It has also been more rapid on corn and wheat farms than on cotton farms. Substitution of other farm inputs for labor will probably continue to be made.

The number of workers on farms this year is between 3 and 4 percent less than a year ago. Numbers of hired workers are down about 1 percent. Although there have been local shortages for short periods, the number of farmworkers generally has been adequate. The annual decline in number of family workers has averaged about 2-1/2 percent per year in recent years. This reflects the trends toward larger farms and greater mechanization. Numbers of hired workers have declined somewhat more slowly during the last 3 or 4 years.

In 1954 more than 320,000 foreign workers from Mexico, British West Indies, and Canada were brought in on a contract basis to augment the domestic supply of seasonal farmworkers. They were used in areas certified as having an insufficient supply of labor from domestic sources. Although the number brought in appears to be large, not all of them were at work at any given time. In 1954, the greatest number of foreign workers were at work in October when about 200,000 were employed. At that time they constituted about 8 percent of the total number of hired workers on farms.

Greater numbers of Mexican nationals are being contracted this year but some of the additional workers are replacing those that entered illegally in previous years. Stricter control to prevent illegal entry is being maintained. Foreign workers will continue to be available if needed as the law authorizing the recruitment of Mexican nationals for work on American farms under specified conditions has been extended by the Congress to June 30, 1959.

The supply of experienced year-round workers--dairy hands, for example--continued tight this year and a similar situation is expected next year. The short supply of such workers is indicated by the fact that wage rates by the month and by the week have increased more in the last few years than have daily and hourly rates. Year-round workers are usually paid on a monthly or weekly basis, whereas seasonal workers are more likely to be paid on a daily, hourly, or piece-rate basis. Effective recruitment and placement programs will continue to be needed for regular workers as well as for seasonal workers. Improvement in employment conditions on farms, such as better housing, also will aid in getting and keeping farm laborers.

FARM POWER AND MACHINERY

Until recently wholesale prices of farm machinery and equipment had shown little change since about January 1951. In recent months,

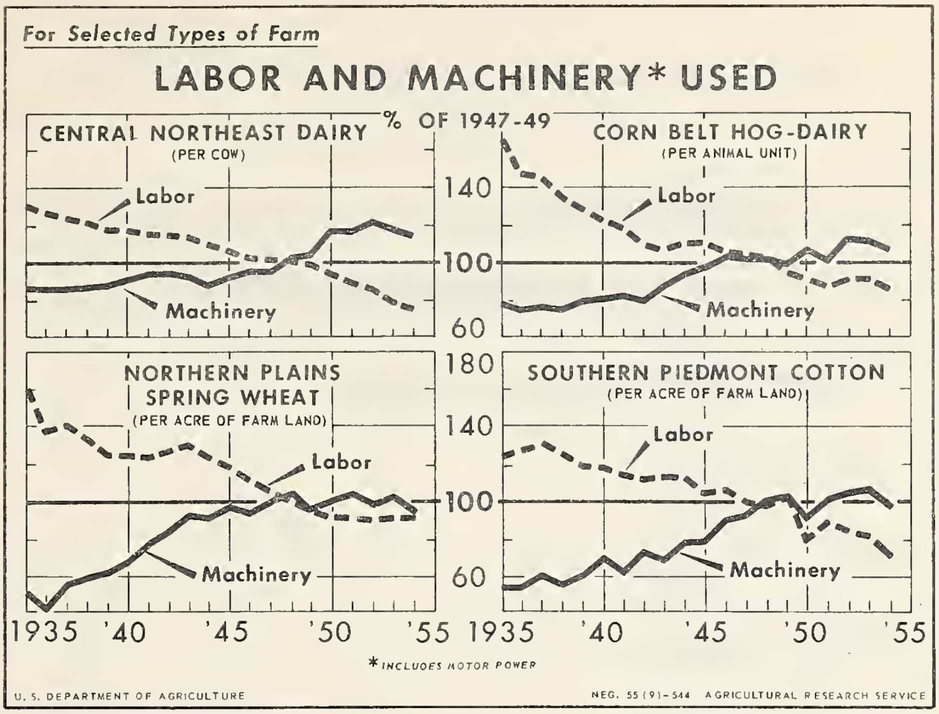

Figure 3

however, several of the major companies have increased prices to dealers from 5 to 7 percent.

Dealers' list prices changed little from early 1952 until this fall. But in recent years many dealers have sold machines and equipment below regular list prices by allowing more than the market value for "trade-ins" or by giving discounts. These practices have been followed to some extent in most areas of the country, but they were most pronounced in drought-stricken areas. The price policy followed by dealers in recent years can be expected to continue in 1956.

Production of farm machinery and equipment was at a record high level in 1951. Output then declined with each successive year and in 1954 it was about one-third below the 1951 output. Production of machines and equipment in the first half of 1955 was about 20 percent above the output of the same period of 1954. Many new model tractors and machines were available to farmers in the current year and this factor, together with generally improved conditions in drought-stricken areas, accounts largely for the increase in shipments of machines and equipment.

Farmers' purchases of machines and equipment have been of relatively large volume for more than 15 years, and there have been continued annual increases in numbers of tractors and most principal machines on farms.

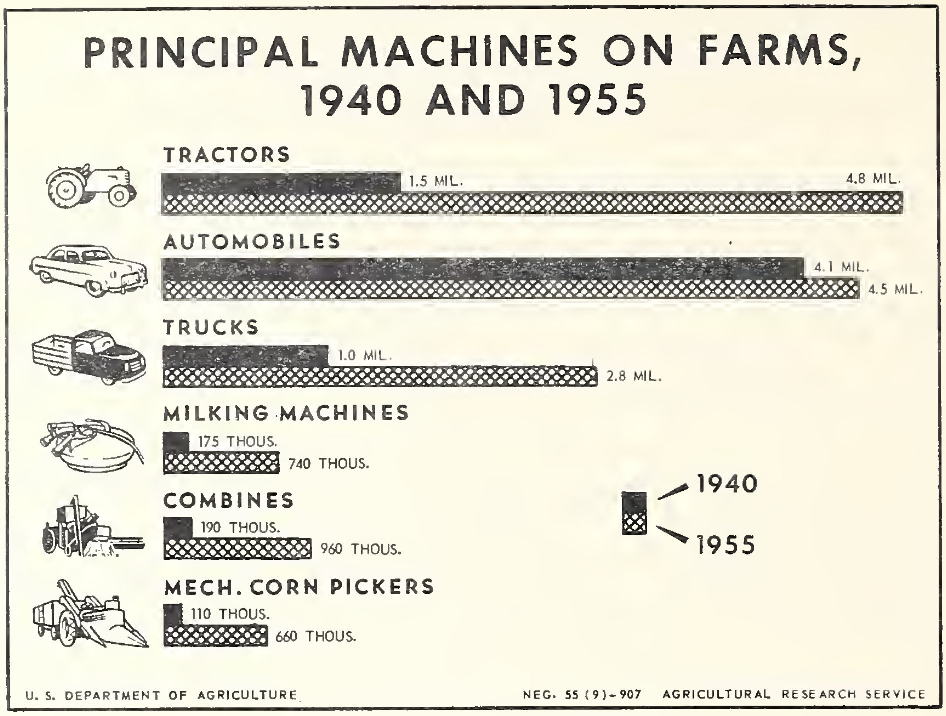

Figure 4

Numbers of wheel tractors (excluding the garden type) and motortrucks on farms are now about three times what they were in 1940 (table 2). Numbers of grain combines and cornpickers have multiplied 5 or 6 times since 1940 (fig. 4).

Although machinery purchases in the past were made primarily for the purpose of replacing manpower or animal power, a proportionately larger part of purchases in the future will be for the purpose of replacing machines with machines. These replacement machines in many cases are larger and more efficient. In effect, this means that the rate of increase in numbers of farm tractors and older types of power-driven machines on farms will slow down, even though purchases will need to remain fairly substantial in the aggregate to maintain our present state of mechanical efficiency. Additional mechanization is to be expected primarily as a result of technological advances, which in the last few years have provided such items as pick-up balers, forage harvesters, and cotton pickers.

Increases in use of mechanized power and equipment have occurred in all areas of the country, but in the Southeastern States and the Appalachian and Mississippi Delta States, the relative increase in tractors and tractor equipment has been much greater since 1940 than the average for the country. Prior to 1940, mechanization in these

Table 2.- Numbers of specified machines and horses and mules on farms, January 1 and prices paid by farmers for tractors, gasoline and tires, 1940-55

Index numbers (1947-49=100)

Year	Numbers on farms 1/					Prices 2/		
	Farm tractors 3/	Motor-trucks	Grain combines	Corn pickers	Horses and mules 4/	Tractors 5/	Gasoline	Tires 6/
1940	54	55	35	36	156	61	74	73
1941	59	58	42	40	152	64	78	75
1942	66	61	51	43	147	65	80	93
1943	74	68	59	46	142	63	81	103
1944	78	73	64	48	136	71	81	108
1945	83	79	69	56	128	72	80	104
1946	87	82	78	67	119	80	83	105
1947	92	90	86	78	109	90	92	101
1948	99	101	99	99	100	100	103	101
1949	109	109	115	123	91	110	105	98
1950	119	117	132	151	84	111	106	110
1951	129	122	150	173	76	120	107	131
1952	136	128	164	195	67	119	109	125
1953	142	135	170	204	60	116	112	123
1954	147	140	176	212	54	117	113	123
1955	7/151	7/146	7/178	7/219	49	8/119	8/114	8/120

1/ The 1947-49 average for tractors (excluding garden tractors) was 2,852,000; for motortrucks, 1,888,000; for grain combines, 540,000; for cornpickers, 302,000; and for horses and mules all ages, 9,302,000.

2/ Based on data published currently in Agricultural Prices (AMS). The 1947-49 average for tractors was $1,670; for gasoline (per gallon), $0.242; and for tires $15.80.

3/ Excluding garden tractors.

4/ Based on data published in Livestock and Poultry on Farms and Ranches, January 1 (AMS).

5/ Based on dealers' list prices of 20-29 belt h.p. wheel tractors equipped with rubber tires.

6/ Based on prices reported for size 6:00 x 16.

7/ Preliminary.

8/ Average prices paid in March, June, and September.

Southern areas had made relatively little headway, and animal power is still used to a greater extent there than elsewhere.

With the pronounced upward trend in power machinery and equipment, the number of horses and mules on farms has declined continuously since 1918. There are less than 5 million head of these animals on farms now compared with about 14 million in 1940 and 27 million in 1918. Workstock is no longer an important source of farm power.

Along with the increase in numbers of machines on farms there has been a large increase in the consumption of motor fuels. Farmers now use about 7 billion gallons of motor fuel annually. This is about twice as much as they used in 1940. About 90 percent of the motor fuel is gasoline. The price of gasoline in 1955 was about the same as in 1954 and no important change appears to be in prospect for 1956.

FEED

The index of prices paid by farmers for feed was about 9 percent lower in mid-October than a year earlier. Prices of the principal high-protein feeds were down 11 to 14 percent while prices of formula feeds were down 5 to 6 percent (table 3). Prices paid for hay were off about 6 percent.

The decline in feed prices is also reflected in prices received by farmers for feed grains and hay. The composite index dropped from 89 (1947-49=100) in October 1954 to 73 in October 1955. During that period prices received by farmers for corn dropped 21 percent. Oats went down 19 percent; barley, 16 percent; and sorghum grain, 24 percent.

Feed prices are lower and are expected to average somewhat lower in the 1955-56 season (October-September) than in the 1954-55 season. Total supplies of feed concentrates for 1955-56 are about 9 percent larger than last year (table 4). About half the increase in the supply of feed grains is due to the larger carryover and the other half to larger production. The supply of oilseed meals is expected to be about 7 percent higher mainly because of larger crops of soybeans and cotton. The total supply of other byproduct feeds is expected to be about the same as in 1954-55. The supply of feed grains in the Southern States is much larger than in any of the last 4 years when droughts cut down production.

The number of grain-consuming animal units to be fed in the year beginning October 1, 1955, is expected to be 2 or 3 percent higher than a year earlier and the largest for any peacetime year. Hogs account for most of the expected increase in livestock to be fed. However, the supply of all concentrates per animal unit will be up 6 or 7 percent and the largest on record. The supply of hay per roughage-consuming animal unit is about equal to the average for the last 5 years and 5 percent above 1954-55.

Table 3.- Average prices of feeds in the United States, October 15, 1955, with comparisons

Item and unit	Oct. 15, 1953	Oct. 15, 1954	Mar. 15, 1955	Oct. 15, 1955
	Dollars	Dollars	Dollars	Dollars
Prices received by farmers:				
Corn, per bu.	1.34	1.45	1.36	1.14
Oats, per bu.	.73	.73	.74	.59
Barley, per bu.	1.12	1.08	1.08	.91
Sorghum grain, per 100 lbs.	2.20	2.14	2.23	1.63
Hay, baled, per ton	21.20	22.30	23.00	20.50
Prices paid by farmers:				
Mixed dairy feed, 16 pct. protein, per 100 lbs.	3.84	3.77	3.86	3.58
Laying mash, per 100 lbs.	4.73	4.77	4.75	4.47
Broiler mash, per 100 lbs.	5.14	5.19	5.15	4.88
Cottonseed meal, per 100 lbs.	3.70	4.40	4.36	3.81
Soybean meal, per 100 lbs.	4.46	4.81	4.62	4.32
Linseed meal, per 100 lbs.	4.58	4.58	4.75	4.47
Meat scrap, per 100 lbs.	5.36	5.80	5.28	4.98
Bran, per 100 lbs.	3.05	2.98	3.11	2.87
Middlings, per 100 lbs.	3.18	3.15	3.23	3.05
Alfalfa hay, baled, per ton	34.30	34.80	35.70	32.60
Average value of concentrate ration fed to poultry and milk cows: 1/				
Fed to poultry, per 100 lbs.	3.72	3.80	3.76	3.44
Fed to milk cows, in milk-selling areas, per 100 lbs.	3.29	3.27	3.30	3.04
Fed to milk cows in cream-selling areas, per 100 lbs.	2.88	2.88	2.90	2.65
	Index numbers (1947-49=100)			
Prices received by farmers for feed grains and hay	84	89	86	73
Prices paid by farmers for feed	94	96	96	87

1/ Value of the corn, oats, oilmeal, millfeed, commercial mixed feed, etc., making up 100 pounds of "grain" ration.

Agricultural Marketing Service.

Table 4.- Supply and utilization of feed concentrates, and livestock fed, United States, 1937-55 [1]

Year beginning October	Supply				Utilization		Stocks of feed grains end of year [3]	Grain-consuming animal units fed	Per grain consuming animal unit		
	Stocks of feed grains beginning of year	Production of feed grains	Other feed concentrates [2]	Total supply	For seed, human food, industry, and export	Concentrates fed to livestock			Production of feed grains	Supply of concentrates	Concentrates fed
	Million tons	Million tons	Million tons	Million tons	Million tons	Million tons	Million tons	Million units	Tons	Tons	Tons
Av. 1937-41	16.9	99.3	19.9	136.1	12.1	104.9	19.9	153.1	0.65	0.89	0.69
Av. 1942-46	14.7	117.3	29.4	161.4	14.8	133.0	13.5	177.5	.66	.91	.75
1947	13.8	94.1	24.7	132.6	13.6	110.4	7.8	154.0	.61	.86	.72
1948	7.8	135.4	23.5	166.7	17.6	120.1	30.4	160.1	.85	1.04	.75
1949	30.4	120.6	25.2	176.2	17.2	127.3	30.6	166.1	.73	1.06	.77
1950	30.6	122.0	26.0	178.6	20.4	129.8	28.7	172.3	.71	1.04	.75
1951	28.7	112.9	27.0	168.6	17.2	131.6	20.2	174.2	.65	.97	.76
1952	20.2	119.7	28.1	168.0	17.0	122.8	27.0	170.4	.70	.99	.72
1953	27.0	117.6	28.0	172.6	16.2	125.7	31.8	168.1	.70	1.03	.75
1954	31.8	121.6	26.3	179.7	17.5	123.2	39.5	174.0	.70	1.03	.71
1955 [4]	39.5	130.9	26.8	196.6	19.0	134.0	43.0	178.0	.72	1.10	.75

[1] From Feed Statistics, page 2, March 1955, and Feed Situation, November 1955, table 2, AMS.

[2] Includes byproduct feeds, imported grains, and domestic wheat and rye fed.

[3] Stocks do not necessarily equal supply less feed and other utilization because of a difference in the crop year for different feed grains.

[4] Preliminary estimates based on indications in October 1955.

Pasture conditions on November 1 for the country as a whole were the best for the date since 1951 and about equal to the 1944-53 average. They were considerably better than a year earlier in much of the South but were considerably worse in the western part of the Corn Belt. This may mean that more hay or other roughage will be fed per animal unit in the latter area in 1955-56 than in 1954-55. But it is too early to tell how the quantity of hay fed throughout the United States in 1955-56 is likely to compare with past years. It will depend a great deal on the kind of weather experienced during the feeding season.

Lower feed prices were chiefly responsible for the improved relationship between prices of feed and prices of livestock and livestock products. Returns per $1.00 of feed cost were higher for most livestock enterprises in September 1955 than a year earlier (table 5). However, hog- and sheep-raising enterprises were exceptions.

Returns per $1.00 of feed cost in mid-September relative to the 1937-51 average were highest for broilers and lowest for sheep raising. Returns from hogs, milk, and eggs were much alike in one respect--in each instance, returns per $1.00 of feed cost were 6 percent below the 1937-51 average.

Returns from cattle feeding in the 1954-55 season were about 5 percent below the 1920-52 average. What they will be in 1955-56 will depend a great deal on the price of fat cattle next spring and summer.

SEED

The index of prices paid by farmers for seed was about 2 percent higher in mid-September than a year earlier. The simple average of April and September prices was about 7 percent higher than the comparable figure for 1954. It is expected that prices paid by farmers for seeds will average somewhat lower in 1956 than in 1955 assuming no material expansion in conservation programs, but the situation will vary considerably by kinds and varieties.

Prices paid for most legume and grass seeds are quite a little lower this fall than last fall and are below the 1949-53 average. In mid-September farmers paid less for 14 legume, grass, and grain seeds than in the spring. Compared with the fall of 1954, the mid-September retail prices this year were lower for 15 seeds and higher for 14.

Prices received by growers this fall are lower than last fall for 18 of 26 legume and grass seeds and are below the 5-year average for 23 seeds. In mid-October the most marked declines from last year occurred in timothy, tall fescue, Sudangrass, perennial ryegrass, orchardgrass, alfalfa, common ryegrass, redtop, and red clover. Prices of these seeds were a third to a half lower than last year. Growers' prices of only 8 seeds--purple vetch, smooth brome, crimson clover, Austrian Winter peas, common vetch, crested wheatgrass, Ladino clover, and hairy vetch--were higher in mid-October of this year than last year.

Table 5.- Returns per $1.00 of feed cost of livestock enterprises, United States, Sept. 15, 1955, with comparisons 1/

Livestock enterprise or product	1937-51 average Sept.	Sept. 15, 1953	Sept. 15, 1954	Feb. 15, 1955	Sept. 15, 1955
	Dollars	Dollars	Dollars	Dollars	Dollars
Eggs	1.91	1.93	1.24	1.48	1.80
Broilers	2/1.64	1.61	1.35	1.50	1.61
Turkeys	1.90	1.61	1.35	1.48	1.70
Milk	2.17	2.03	1.85	1.78	2.04
Butterfat	1.71	1.45	1.21	1.22	1.40
Hogs	1.65	1.96	1.57	1.43	1.55
Sheep raising	1.70	1.36	1.37	1.30	1.30
Beef raising	1.83	1.47	1.44	1.47	1.59
Cattle feeding	3/1.25	1953-54 1.46		1954-55 1.19	
	Index numbers (1937-51=100)				
Eggs	100	101	65	77	94
Broilers	100	98	82	91	98
Turkeys	100	85	71	78	89
Milk	100	94	85	82	94
Butterfat	100	85	71	71	82
Hogs	100	119	95	87	94
Sheep raising	100	80	81	76	76
Beef raising	100	80	79	80	87
Cattle feeding	3/100	1953-54 117		1954-55 95	

1/ Quantities of feed used in calculating the cost of feed follow: Per dozen eggs - 7 lbs. poultry ration; per lb. of broiler - $4\frac{1}{2}$ lbs. chick starter, 1935-39, $3\frac{1}{2}$ lbs. chick starter, 1951-53, 3 lbs. broiler mash, 1954-55; per lb. of turkey - $5\frac{1}{2}$ lbs. poultry ration before 1950; $5\frac{1}{4}$ lbs. 1950-53, 5 lbs. 1954-55; per 100 lbs. hogs - $7\frac{1}{2}$ bu. corn plus 20 lbs. soybean meal, per 100 lbs. milk - 30 lbs. concentrate ration fed to milk cows in milk-selling areas plus the value of 110 lbs. hay; per lb. of butterfat - $7\frac{1}{2}$ lbs. of concentrate ration fed to milk cows in cream-selling areas plus the value of $27\frac{1}{2}$ lbs. hay in Minnesota and Iowa; per 100 lbs. beef cattle - 3 bu. corn plus 600 lbs. hay; per 100 lbs. sheep and lambs - 2 bu. corn plus 1,500 lbs. hay. Assumed 19 lbs. wool produced for each 100 lbs. sheep and lamb produced. The quantity of hay for milk cows, beef cattle, and sheep includes an allowance for silage and pasture. Feed nutrients from pasture assumed to cost a fourth as much as nutrients from hay. Cattle feeding returns are based on table 1, Livestock and Meat Situation, A.M.S., August 15, 1955, which is based on Corn Belt experience.

2/ Average for March.

3/ 1920-52 average.

The total supply (1955 production plus carryover) of 26 legume and grass seeds for the 1955-56 planting season, estimated at 1,044,000,000 pounds, is 10 percent larger than last year but 11 percent below the 1949-53 average. The larger production this year more than offsets the smaller carryover. Current supply of the legume seeds--alfalfa and the clovers except crimson which is grouped with the winter cover crops--is 15 percent larger than last year and 18 percent larger than the 5-year average. Supply of the grass seeds, exclusive of ryegrass which is grouped with winter cover crops, is 18 percent larger than last year and 22 percent larger than the average. The total supply of the legume and grass seeds, which are sown mostly in the spring, is 16 percent larger than last year and 19 percent larger than the average. The supply of the winter cover-crop seeds, which are sown chiefly in the fall, is 1 percent smaller than last year and 44 percent below the average.

Current supply of the 26 seeds is 47 percent larger than the domestic disappearance last year and 37 percent larger than the 5-year average disappearance. Supplies of alfalfa, Ladino clover, timothy, fescues, bentgrass, Sudangrass, and the ryegrasses are more than ample to meet average domestic requirements and still leave a carryover next year equal to the average for the 5-year period. But the supply of each of the other seeds, particularly red clover, sweetclover, white clover, orchardgrass, redtop, smooth brome, and crested wheatgrass of the seeds sown chiefly in the spring, would not be sufficient to meet the average domestic requirements without reducing the carryover if normal rates of sowing were used. Under such circumstances the carryover of these seeds at the close of the 1955-56 planting season would fall below the 1949-53 average.

FERTILIZER

Average prices paid by farmers for plant nutrients in commercial fertilizer have declined slightly in the last 3 years. With 1947-49 equal to 100, index numbers of prices paid for fertilizer in 1952, 1953, 1954, and 1955 were 109, 110, 108, and 106, respectively. Although realized gross farm income has declined relatively more than fertilizer prices since 1951, farmers have continued to use more fertilizer nutrients each year. This is in contrast to changes in use of fertilizer nutrients during past periods of declining farm income.

In recent years, the use of fertilizer nutrients was not as closely related to changes in farm incomes as it was before World War II. Of course, the recent decline in income is small compared with the drop that occurred after 1929. During the readjustment period following World War I, use of fertilizer nutrients declined materially from 1920 to 1921 with the sharp drop in farm income, even though fertilizer prices fell substantially. A somewhat similar thing happened during the major depression of the 1930's. But following the more moderate reductions in farm income after 1948 and again after 1952, consumption of fertilizer rose substantially, although prices of fertilizer declined only slightly. In

1953 when realized gross farm income declined 5 index points from 1952 levels, the use of principal plant nutrients increased 9 points over the preceding year, with only a slight decline in prices of fertilizer.

One of the reasons for the increase in use of principal plant nutrients has been the continued rise in the analysis of fertilizers. Although the quantity of all fertilizers used was about 640,000 tons less in 1953-54 than in 1952-53, the lower tonnage in 1953-54 contained nearly 250,000 tons more plant nutrients.

But aside from this, farmers apparently consider fertilizer a relatively good buy at present prices. Farmers spent 16 percent more for all production goods and services in 1954 than their average annual expenditures for such things in 1947-49. But their expenditures for fertilizer and lime went up 51 percent between 1947-49 and 1954. Comparable increases in other expenditures over that period were: Hired labor, 6 percent; feed, seed, and livestock, 11 percent; and all nonfarm commodities used in farm production, 16 percent.

Quantities of nitrogen (N) and potash (K_2O) that will be available for use as fertilizer for the year ending June 30, 1956, are each expected to be more than 4 percent larger than during the preceding year. Supplies of phosphoric oxide (P_2O_5) in 1955-56 are expected to be about the same as those available in 1954-55.

BUILDING MATERIALS

Prices paid by farmers for building and fencing materials were 4 percent higher in mid-September than a year earlier. The increase from June 1954 to September 1955 amounted to a little more than 5 percent. According to the index published by the Bureau of Labor Statistics, in the 15-month period wholesale prices of building materials advanced more than 8 percent. Since September, however, prices of lumber have dropped considerably in the Pacific Northwest.

The upswing in prices paid by farmers for building and fencing materials started in mid-1954 with a speedup in all building activity. It followed a 3-year period of fairly stable prices for this group of items.

In concrete terms the situation looks about like this: In 1935-39 the average farmer could buy the materials used in the construction of a typical poultry house large enough for 200 layers for about $300. Now the same materials would cost him about $840, or about 180 percent more than in 1935-39. He could buy the materials for a typical barbed-wire fence (4 strands of 4-point wire on alternate wood and steel posts set 1 rod apart) for about 60 cents a rod in 1935-39. At present prices they would cost him about $1.53 a rod, or about 155 percent more than in the prewar period.

FARM SUPPLIES

The index of prices paid by farmers for miscellaneous farm supplies was 5 points (2 percent) lower on September 15 than a year earlier. It was 13 percent above the 1947-49 average and 89 percent higher than in 1935-39. Baler twine and wire, binder twine, bale ties, and containers are important items in this category of farm costs. Prices paid for these items have gone up relatively less than the average for all production items since 1935-39.

PESTICIDES

Available information indicates that use of pesticides was somewhat greater in 1955 than in 1954. More rainfall in the eastern Cotton Belt compared with a year earlier increased insect infestation and also made more frequent dusting and spraying necessary to replace the insecticides washed off by the rain. Supplies of pesticides were sufficient to meet this greater demand, and early indications are that stocks on hand at the end of the season are somewhat higher than a year ago.

Prices of pesticides as a group were about the same in 1955 as in 1954. However, manufacturers' prices of benzene hexachloride currently are about 10 percent lower than last January and prices of copper sulphate are about 40 percent higher.

Although changes in prices since 1954 have been small, the decline in prices of most pesticides in the last few years has been substantial. Manufacturers' prices of such important insecticides as benzene hexachloride and DDT are only one-third and three-fifths as high, respectively, as they were in the fall of 1951. Other insecticides, such as aldrin, calcium arsenate, lindane, and toxaphene are also lower. Prices of some pesticides, including nicotine sulphate and copper sulphate, are somewhat higher than they were 4 years ago, but the trend in prices of most pesticides has been downward.

Use of pesticides on farms has increased in the last decade. Farmers spent an estimated $250 million for pest-control materials and the application of some of these materials by custom operators in 1952. Net acreage sprayed or dusted one or more times was equal to one-sixth of the acreage of principal crops harvested in 1952. About half of this acreage was sprayed to control insects and diseases, and the other half for control of weeds and brush. Probably less than 5 percent of the acreage was sprayed for both purposes.

FARM REAL ESTATE

Prices of farm real estate continued to strengthen in most areas of the country during the first half of 1955. Increases of 2 percent or more occurred in three-fourths of the States during the 4 months ended

July 1. The national index of average value per acre returned to 129 (1947-49=100), a point reached once before in 1952, and 23 percent above the previous peak reached in 1920.

All major type-of-farming areas in the eastern two-thirds of the country, except the burley tobacco area, showed advances in farm real estate values during the year ended July 1, 1955 (table 6). Largest gains were reported in the Corn Belt, general farming, and Lake States dairy regions. Increases were more moderate in the eastern and central cotton, and eastern dairy areas. Nationally, values increased 5 percent during the year.

Although land values in most areas were at or near their all-time peak at mid-1955, all other items used in farm production, except fertilizer and motor supplies, have increased more relative to the 1910-14 period than has farm real estate. Land values have little more than doubled since 1912-14, whereas farm wage rates have increased 5-fold, building materials and motor vehicles have become 3-1/2 times as high, and farm machinery and livestock, 3 times as high.

Land values (including improvements) also have increased less than prices of farm commodities, although the spread has narrowed in recent years (fig. 5). Land values lagged behind the rise in commodity prices from 1941 to 1950, but since then they have continued to rise despite the downturn in commodity prices. Currently, their relationship is about the same as in 1940.

Much of the strength shown in market prices for farmland in recent years stems from the strong demand for additional acreage needed to make more efficient use of labor and farm machinery. Greatly increased farm wage rates and widespread nonfarm employment opportunities have provided strong incentives for greater labor efficiency and have helped to speed up the farm-enlargement process. Preliminary summaries from the 1954 Census show, for example, that the average size of farm increased nearly 10 percent between 1950 and 1954. Possibly as many as 500,000 farms were absorbed by farm enlargement, or were converted to nonfarm uses during the 5-year period.

Renting or buying additional land is the principal means by which individual farmers can increase their acreages. Only a limited number of such opportunities are available each year, and farm operators have been active bidders for both rental tracts and land that was for sale. Farmers as a group (owner-operators and tenants) bought about two-thirds of all farms and tracts of land sold during 1954-55, and nearly a third of all purchases were for farm enlargement. The proportion of all transfers that were bought for farm enlargement was considerably higher than average in areas where the greatest gain in efficiency can be achieved by larger farms. This was evident especially in the winter wheat and eastern Corn Belt areas. In contrast, farm enlargement has taken place at a slower rate in dairy and some other areas where the rate of mechanization has been less rapid.

Table 6.- Farm Real Estate: Index numbers of average value per acre, and related data, by major type-of-farming areas, July 1955, with comparisons

Type-of-farming area	March 1				July		Change July 1954 to July 1955
	1952	1953	1954	1955	1954	1955	
	Index numbers (1947-49=100)						Percent
Eastern dairy	125	126	120	124	123	127	+3
Lake-States dairy	126	127	121	124	121	128	+6
General farming	126	125	117	122	118	125	+6
Eastern Corn Belt	138	140	139	145	140	149	+6
Western Corn Belt	133	130	126	132	128	137	+7
Winter wheat	137	129	128	137	130	137	+5
Spring wheat	136	137	136	138	135	143	+6
Eastern cotton	122	128	121	121	122	123	+1
Central cotton	131	132	125	125	127	131	+3
Texas-Oklahoma cotton	131	127	118	124	127	135	+6
Burley tobacco	131	131	122	115	124	118	-5
Eastern tobacco	132	137	124	135	138	139	+1

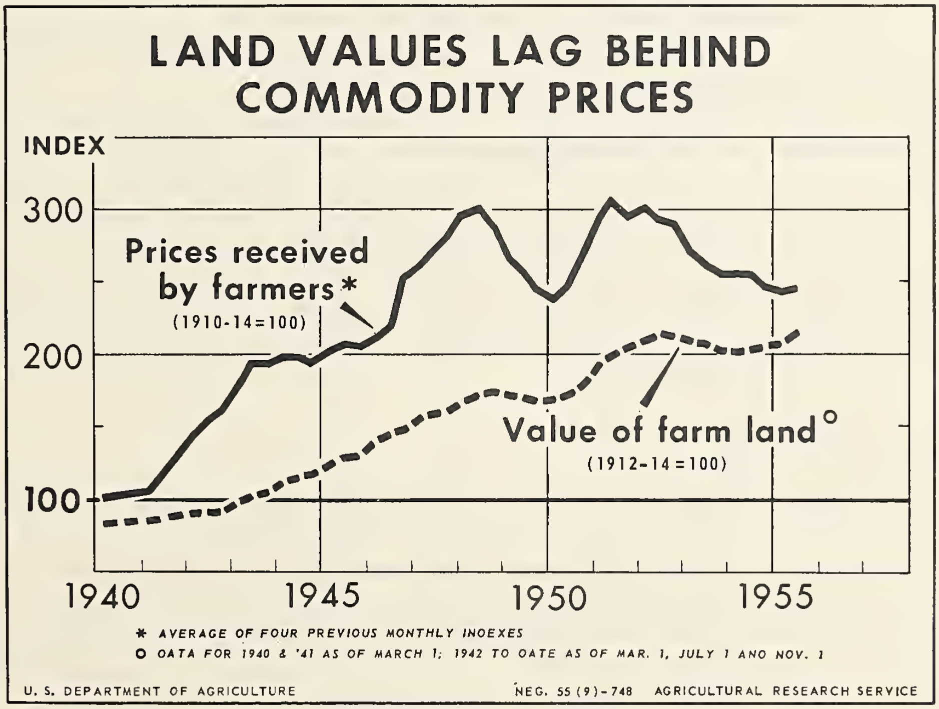

Figure 5

Cash Rents

Although the practice of renting a whole farm for cash has declined steadily in recent decades, nearly two-fifths of all tenants in the North Central States pay cash for hay and pastureland in addition to a share of the crops grown on other land. Whether such cash rents are to be paid, and their amounts, are often bargaining points in a farm lease. On the average, however, cash rent per acre has remained a relatively constant proportion of the market value of rented land since 1952. Stated differently, cash rents have increased at about the same rate as have market values, and, like land values, they were at or near record levels in most of the North Central States in 1955. In all States, the amount of cash rent paid for farmland was about normal in relation to the market value of rented land. The ratio of gross cash rent to value shown in tables 7 and 8 applied to the estimated market value of the land on a particular farm is a general guide as to what the land would have rented for in 1955.

INTEREST, TAXES AND INSURANCE

Mortgage Interest

Interest payments on farm-mortgage (real estate) debt may reach $440 million in 1956. This would be about 7 percent above the $411 million estimated for 1955. Farm-mortgage debt, which is increasing in 1955 at a somewhat higher rate than in recent years, is expected to exceed $9.0 billion on January 1, 1956, and to continue upward during that year. A total of $9.0 billion on January 1, 1956, would be about 10 percent above the beginning of 1955.

Interest rates on farm mortgages appear to be relatively stable after softening slightly in 1954. The outlook is for steady to slightly firmer rates during the next few months. The usual keen competition between lenders appears to have sharpened somewhat in recent months. This highly competitive situation may serve to hold interest rates on farm-mortgage loans in 1956 near present levels. As a result, increases in mortgage interest payments are expected to be essentially a function of increases in farm-mortgage debt.

Non-Real-Estate Interest

Interest payments on short-term, non-real-estate loans in 1955 may total as much as 10 percent more than in 1954, mainly because of an increase in the amount of credit used. The average amount of each loan has increased and more farmers have probably used credit this year. Interest rates, however, have also risen slightly because of tighter money market conditions. For 1956, interest rates are expected to remain near current levels, and no great change in the amount of non-real-estate credit used by farmers is in prospect for the near future.

Table 7.- Cash rent per acre for farms rented wholly for cash, and ratio of gross rent to value, North Central States, 1952-55 1/

State	Cash rent per acre				Ratio gross rent to value			
	1952	1953	1954	1955	1952	1953	1954	1955
	Dollars	Dollars	Dollars	Dollars	Percent	Percent	Percent	Percent
Ohio	9.30	9.30	9.70	10.45	5.4	5.6	5.2	5.4
Indiana	12.50	13.00	13.85	12.95	6.0	6.5	6.9	5.8
Illinois	14.70	15.10	15.90	16.50	5.4	5.5	5.6	5.6
Michigan	8.25	8.90	9.10	9.00	6.2	6.1	6.5	6.4
Wisconsin	10.40	11.20	10.80	11.30	7.6	8.3	8.7	8.1
Minnesota	8.65	9.30	9.45	9.90	6.3	6.8	6.9	6.8
Iowa	12.65	13.35	13.50	14.05	5.5	5.9	6.1	6.0
Missouri	6.80	6.80	6.70	7.10	6.7	7.1	6.8	6.8
North Dakota	2.80	2.75	3.00	2.70	7.5	7.2	7.6	7.6
South Dakota	4.40	4.20	4.10	4.30	7.0	6.8	7.1	7.5
Nebraska	6.00	5.40	5.90	6.50	5.9	5.7	6.1	6.4
Kansas	5.70	5.85	5.40	5.65	6.6	6.5	6.4	6.1

1/ Estimates supplied by crop reporters, as of April 1, for calendar years indicated.

Table 8.- Cash rent per acre for pastureland and ratio of gross rent to value, North Central States, 1952-55 1/

State	Cash rent per acre				Ratio gross rent to value			
	1952	1953	1954	1955	1952	1953	1954	1955
	Dollars	Dollars	Dollars	Dollars	Percent	Percent	Percent	Percent
Ohio	5.70	5.30	6.50	6.60	5.4	5.4	5.1	5.2
Indiana	7.15	6.40	6.95	6.90	4.6	3.9	4.5	4.3
Illinois	7.10	7.40	7.65	7.60	3.4	3.3	3.4	3.6
Michigan	3.25	3.00	3.40	3.45	5.9	5.3	5.6	5.6
Wisconsin	4.40	4.40	4.50	5.40	7.5	7.9	8.6	9.1
Minnesota	4.70	4.90	5.10	5.05	6.4	6.4	6.6	6.6
Iowa	8.00	7.95	8.05	8.25	5.2	5.2	5.4	5.1
Missouri	4.50	4.50	4.20	4.35	5.8	6.3	6.0	5.7
North Dakota	1.00	1.10	1.20	1.15	5.0	5.4	5.5	5.5
South Dakota	1.70	1.75	1.80	1.90	4.7	5.1	5.5	5.6
Nebraska	3.50	3.75	3.65	3.90	5.6	5.8	5.7	5.8
Kansas	3.35	3.20	3.20	3.45	5.9	5.3	5.8	5.8

1/ Estimates supplied by crop reporters, as of April 1, for calendar years indicated.

Because of the increase in outstanding non-real-estate loans, interest costs rose during 1955 in nearly all areas. The largest credit expansion was in the two North Central regions where the financing of record numbers of feeder cattle was an important factor. The rise in loans was the smallest in the East and West South Central States where acreage controls on cotton may have reduced the amount of production credit needed.

Property Taxes

Total taxes levied on farm real and personal property in the United States in 1955, payable largely in 1956, are expected to increase again this year. Preliminary data indicate a rise of 5 percent.

Department of Commerce data show that State and local governments as a whole spent about 9 percent more in the first 2 quarters of 1955 than they did a year earlier. Inquiries in various States suggest that the major reason for this increase is found in the growing costs of education. The data thus far received, however, indicate that rural areas are not experiencing as rapid a rise in these costs as are urban areas.

Taxes paid on farm real estate in the United States in 1955 (levied in 1954) totaled $906 million. Payments in 1956 are expected to be about $950 million. The amount paid in 1955 was about 53 percent greater than the average for the period 1947-49. It is anticipated that payments in 1956 will be about 60 percent higher than the average for this period.

Taxes paid per acre on farm real estate averaged $0.85 in 1955. Based on the average for the period 1910-14, the index of taxes paid per acre in 1955 was 409. When compared with average payments for the period 1947-49, the index was 152. Indexes for the year 1956 will probably be about 430 and 160, respectively.

Taxes paid on personal property of farmers in 1956 (levied in 1955) probably will increase about 5 percent--the same as for farm real estate. This is in marked contrast to the change reported in the last 2 years, in which farm personal property taxes decreased 4 percent and 1 percent, respectively.

Livestock represents about half the value of all farm personal property assessments. Changes in this category strongly influence the total. In most States, livestock assessments made as of January 1, 1953, were drastically reduced from their peak assessment level of the year before; further reductions were made in some States in 1954, but also in 1954, a number of States increased livestock assessments.

Generally, taxes paid in 1956 will be based upon assessments as of January 1, 1955. Although data are not yet available, assessed values per head of livestock on that date are expected to remain virtually unchanged from a year earlier. Total valuations probably will be slightly higher because of the increase in livestock numbers during 1954.

As a result, it is anticipated that the taxes paid on personal property will increase in proportion to changes in the tax rate.

Taxes paid on farm personal property totaled $224 million in 1955. It is anticipated that these payments will approximate $235 million in 1956. These 1956 payments will be some 90 percent higher than the average of 1947-49.

On a typical 160-acre hog-dairy farm in the Corn Belt, taxes payable on farm real estate were $360 in 1954 and $376 in 1955. It is expected that these taxes will increase to $391 in 1956. Personal property tax payments amounted to $117 on such farms in 1954 and $116 in 1955. An increase to about $122 is expected in 1956.

Insurance

The expenditures of farmers for property insurance in 1955 probably will be higher than in either 1953 or 1954. Even though insurable farm property values do not rise in 1955, farmers who renew their policies during the year will tend to increase their insurance because of the prevalence of underinsurance. Premium costs, therefore, will tend to rise for some time.

Information is not available for all classes of insurance companies and types of farm property, but the insurance carried by farm mutual fire insurance companies (about a third of which also offer wind insurance) has increased steadily in recent years--7 percent in 1953 and 6 percent in 1954. The increased assessments paid by farmers to these companies have been due primarily to increases in amounts of insurance carried and the addition of coverage against windstorm, rather than to increases in rates charged for fire insurance. Their assessment rates averaged about 26.5 cents per $100 of insurance in 1954, compared with 25.1 cents in 1953.

In 1954, losses paid by these companies averaged 16.4 cents per $100 of insurance in force, compared with 14.8 cents in 1953. In 1954, operating expenses amounted to 7.5 cents, compared with 7.8 cents in 1953. Therefore, the total cost (losses plus operating expenses) amounted to 23.9 cents in 1954, compared with 22.6 cents in 1953. The difference between the "cost" and assessment income was used to build up company safety funds, which belong to members and are used to stabilize assessment rates between years.

Mainly because of drought, indemnities paid to farmers during 1955 by the Federal Crop Insurance Corporation are expected to exceed premium collections. On the other hand, the damage to growing crops by hail during the year was about average, but because of the increase in insurance carried by farmers, the net cost of crop-hail insurance will be greater than in 1954 and in most other recent years. Except for sales by three State hail departments (North Dakota, Montana, and Colorado), crop-hail insurance is sold by private insurance companies.

COST SITUATION ON 21 TYPES OF FARMS

There have been substantial differences by type of farm in the trend of farm cost rates and of costs per unit of production since the end of World War II. These differences are partially explained by the fact that certain expenditure items are relatively more important on some types of farms than on others, and adjustments to reduce costs have been possible to a greater extent on some types than on others.

Change in Cost Rates

Annual estimates of costs and returns are available for several important types of farms in 21 different areas. Cash expenditures in 1954 for goods and services used in production on these farms are presented in table 9.

Expenditures for power and machinery, including custom work hired, accounted for less than 25 percent of all production expenditures in 1954 on some types of farms but for more than 65 percent on others (table 10). Expenditures for hired labor ranged from a low of 5 percent to a high of 38 percent. Expenditures for feed ranged from a low of less than 1 percent to a high of 38 percent.

The differing trends in farm cost rates and the differences among farms in the relative importance of various cost items help to explain why the index of prices paid for goods and services used in production has increased more on some types of farms in recent years than on others (fig. 6). On irrigated cotton farms in the High Plains area of Texas, for example, cost rates were 5 percent higher in 1954 than in 1947-49, whereas on cash-grain farms in the Corn Belt they were 22 percent higher.

Another reason for the differences among farms in the trend of farm costs is the fact that there are important regional differences in the trend of some cost rates. Farm wage rates in the central northeastern dairy area, for example, were 42 percent higher in 1954 than in 1947-49, whereas on cotton farms, wage rates tended to change little or to be lower (table 11).

Cost per Unit of Production

Cost per unit of production was higher on all 21 types of farms in 1954 than in 1947-49 (fig. 7). Increases ranged from 1 percent on northeastern dairy and northwestern wheat-pea farms to 40 percent on Southern Piedmont cotton farms.

Dissimilar changes in cost rates, in crop yields and in overall efficiency help to explain why costs increased more on some farms than on others (table 12). For example, cost per unit of production increased only 1 percent on wheat-pea farms in Washington and Idaho despite a

Table 9.- Cash expenditures and related data, specified types of farms, 1954

Type of farm and location	Farmland		Farm labor		Total farm capital January 1	Total cash expenditures 2/
	Total	Cropland harvested	Total	Hired		
	Acres	Acres	Hours	Hours	Dollars	Dollars
Dairy farms:						
Central Northeast	199	75	4,450	710	26,300	5,932
Eastern Wisconsin	126	66	4,620	710	33,010	4,712
Western Wisconsin	142	60	4,140	470	22,220	3,921
Corn Belt farms:						
Hog-dairy	162	100	4,400	620	42,500	5,898
Hog-beef raising	216	97	3,470	310	34,070	3,834
Hog-beef fattening	198	137	4,120	700	56,450	12,622
Cash grain	228	189	3,310	500	86,640	6,784
Tobacco farms:						
Tobacco-livestock (Kentucky)	113	30	4,070	1,220	23,060	2,819
Tobacco-cotton (North Carolina)	100	41	7,060	4,030	20,760	4,625
Cotton farms:						
Southern Piedmont	162	49	3,190	600	13,970	1,653
Delta of Mississippi	45	30	3,100	420	11,340	499
Black Prairie, Texas	169	102	3,750	1,240	27,050	2,990
High Plains, Texas (nonirrigated)	343	227	3,130	1,210	35,910	4,178
High Plains, Texas (irrigated)	309	246	7,900	5,630	86,310	16,471
Spring wheat farms (Northern Plains):						
Wheat-corn-livestock	476	320	3,910	480	41,480	4,457
Wheat-small grain-livestock	680	413	3,310	640	42,640	5,129
Wheat-roughage-livestock	760	409	3,460	230	39,230	4,829
Winter wheat farms:						
Wheat-pea (Washington and Idaho)	512	355	3,300	1,000	137,160	9,159
Sheep ranches:						
Northern Plains	6,232	230	8,160	3,960	84,000	11,035
Cattle ranches:						
Northern Plains	4,120	284	4,450	1,110	69,850	5,637
Intermountain region	1,690	155	4,750	730	62,880	4,460

1/ Preliminary.

2/ For goods and services used in production.

Table 10.- Distribution of cash farm expenditures, specified types of farms, 1954

Type of farm and location	Power and machinery 1/	Hired labor 2/	Fertilizer and lime	Feed and seed 3/	Livestock	Buildings and fences	Taxes	Other
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Dairy farms:								
Central Northeast	27	8	5	38	1	7	7	7
Eastern Wisconsin	46	7	4	16	1	10	7	9
Western Wisconsin	43	6	4	21	1	9	8	8
Corn Belt farms:								
Hog-dairy	37	9	5	23	1	9	8	8
Hog-beef raising	35	7	6	28	1	7	9	7
Hog-beef fattening	21	5	2	17	41	5	5	4
Cash grain	43	8	10	12	1	8	15	3
Tobacco farms:								
Tobacco-livestock (Kentucky)	28	26	13	8	2	7	10	6
Tobacco-cotton (North Carolina)	22	38	14	4	1	6	2	13
Cotton farms:								
Southern Piedmont	39	9	24	9	3	7	4	5
Delta of Mississippi	43	28	7	--	2	4	11	5
Black Prairie, Texas	52	23	2	10	1	6	4	2
High Plains, Texas (nonirrigated)	63	19	--	7	1	2	5	3
High Plains, Texas (irrigated)	55	26	--	2	--	4/14	2	1
Spring wheat farms (Northern Plains):								
Wheat-corn-livestock	55	10	--	9	5	6	11	4
Wheat-small grain-livestock	67	12	--	3	1	5	10	2
Wheat-roughage-livestock	66	5	--	9	2	5	10	3
Winter wheat farms:								
Wheat-pea (Washington and Idaho)	51	13	11	4	1	2	8	10
Sheep ranches:								
Northern Plains	21	27	--	19	10	2	10	11
Cattle ranches:								
Northern Plains	45	14	--	5	8	2	14	12
Intermountain region	39	13	--	10	9	4	22	3

1/ Including ginning, hauling, and other machine work hired. 2/ Including payments to croppers. 3/ Including cost of grazing permits. 4/ Including irrigation wells and water-distribution systems.

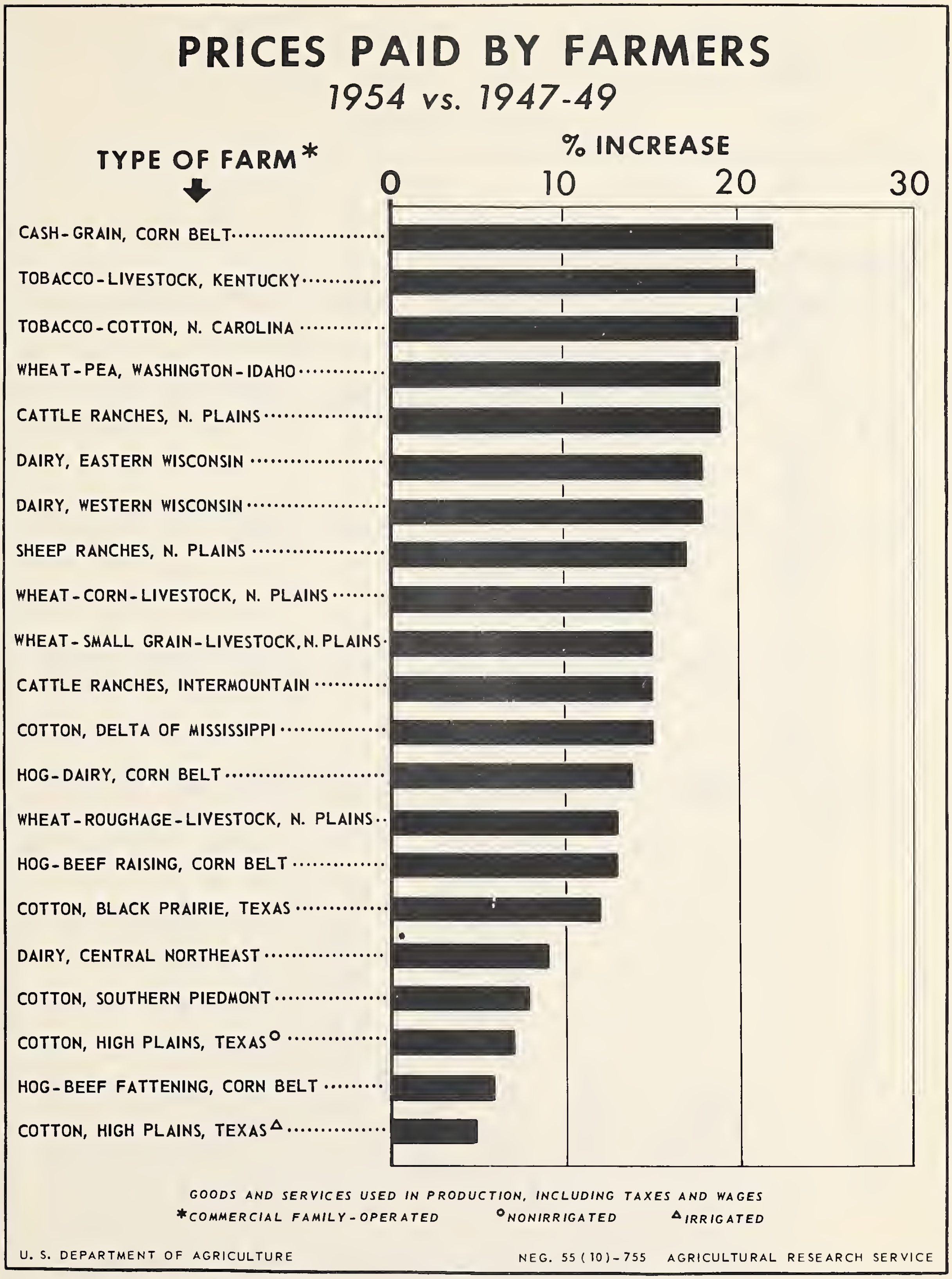
PRICES PAID BY FARMERS
1954 vs. 1947-49
% INCREASE
TYPE OF FARM*
0
10
20
30
CASH-GRAIN, CORN BELT
TOBACCO-LIVESTOCK, KENTUCKY
TOBACCO-COTTON, N. CAROLINA
WHEAT-PEA, WASHINGTON-IDAHO
CATTLE RANCHES, N. PLAINS
DAIRY, EASTERN WISCONSIN
DAIRY, WESTERN WISCONSIN
SHEEP RANCHES, N. PLAINS
WHEAT-CORN-LIVESTOCK, N. PLAINS
WHEAT-SMALL GRAIN-LIVESTOCK, N. PLAINS
CATTLE RANCHES, INTERMOUNTAIN
COTTON, DELTA OF MISSISSIPPI
HOG-DAIRY, CORN BELT
WHEAT-ROUGHAGE-LIVESTOCK, N. PLAINS
HOG-BEEF RAISING, CORN BELT
COTTON, BLACK PRAIRIE, TEXAS
DAIRY, CENTRAL NORTHEAST
COTTON, SOUTHERN PIEDMONT
COTTON, HIGH PLAINS, TEXAS°
HOG-BEEF FATTENING, CORN BELT
COTTON, HIGH PLAINS, TEXAS△
GOODS AND SERVICES USED IN PRODUCTION, INCLUDING TAXES AND WAGES
*COMMERCIAL FAMILY-OPERATED
°NONIRRIGATED
△IRRIGATED
U. S. DEPARTMENT OF AGRICULTURE
NEG. 55 (10)-755
AGRICULTURAL RESEARCH SERVICE

Figure 6

Table 11.- Prices paid by farmers, and related data, specified types of farms, 1954 1/ 2/

Type of farm and location	Prices or rates paid				Relative importance 3/		
	Goods and services	Hired labor	Feed, seed and livestock	Nonfarm goods and services	Hired labor	Feed, seed and livestock	Nonfarm goods and services
	Index numbers (1947-49=100)				Percent	Percent	Percent
Dairy farms:							
Central Northeast	109	142	94	119	8	40	52
Eastern Wisconsin	118	122	95	124	7	17	76
Western Wisconsin	118	123	95	128	6	22	72
Corn Belt farms:							
Hog-dairy	114	122	95	121	9	24	67
Hog-beef raising	113	126	96	122	7	29	64
Hog-beef fattening	106	124	96	123	5	58	37
Cash grain	122	130	97	126	8	13	79
Tobacco farms:							
Tobacco-livestock (Kentucky)	121	126	104	122	26	10	64
Tobacco-cotton (North Carolina)	120	126	105	118	38	5	57
Cotton farms:							
Southern Piedmont	108	95	101	110	9	12	79
Delta of Mississippi	4/115	92	5/ 45	129	28	2	70
Black Prairie, Texas	112	101	97	118	23	11	66
High Plains, Texas (nonirrigated)	107	83	96	118	19	8	73
High Plains, Texas (irrigated)	105	87	89	115	26	2	72
Spring wheat farms (Northern Plains):							
Wheat-corn-livestock	115	107	94	121	10	14	76
Wheat-small grain-livestock	115	105	88	119	12	4	84
Wheat-roughage-livestock	113	105	80	121	5	11	84
Winter wheat farms:							
Wheat-pea (Washington and Idaho)	119	124	92	120	13	5	82
Sheep ranches:							
Northern Plains	117	126	99	125	27	29	44
Cattle ranches:							
Northern Plains	119	129	104	120	14	13	73
Intermountain region	115	137	110	113	13	19	68

1/ Preliminary. 2/ Goods and services used in production except interest. 3/ Based on 1954 expenditures. 4/ Revised. 5/ Mules only.

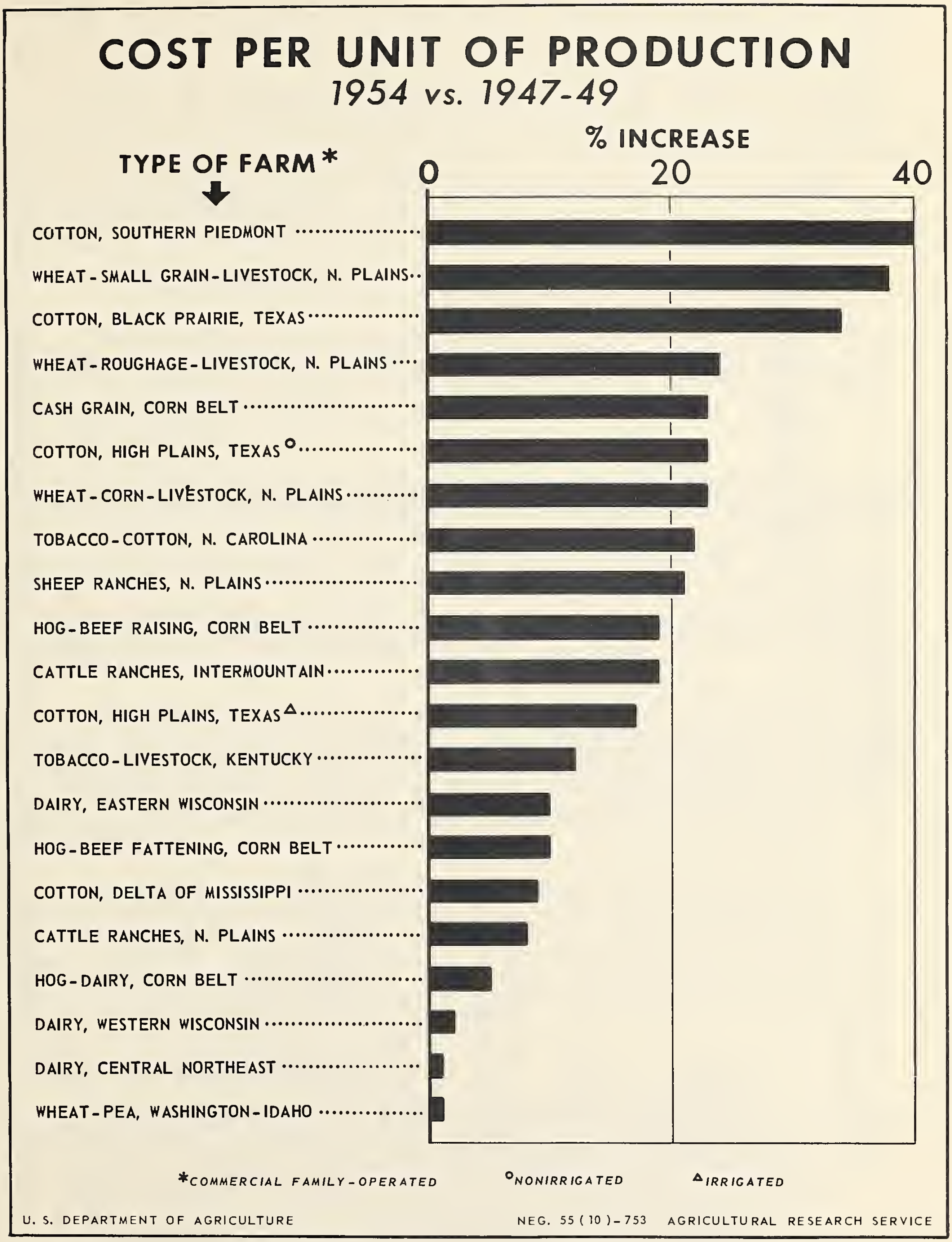
COST PER UNIT OF PRODUCTION
1954 vs. 1947-49
% INCREASE
TYPE OF FARM*
0
20
40
COTTON, SOUTHERN PIEDMONT
WHEAT-SMALL GRAIN-LIVESTOCK, N. PLAINS
COTTON, BLACK PRAIRIE, TEXAS
WHEAT-ROUGHAGE-LIVESTOCK, N. PLAINS
CASH GRAIN, CORN BELT
COTTON, HIGH PLAINS, TEXAS°
WHEAT-CORN-LIVESTOCK, N. PLAINS
TOBACCO-COTTON, N. CAROLINA
SHEEP RANCHES, N. PLAINS
HOG-BEEF RAISING, CORN BELT
CATTLE RANCHES, INTERMOUNTAIN
COTTON, HIGH PLAINS, TEXAS△
TOBACCO-LIVESTOCK, KENTUCKY
DAIRY, EASTERN WISCONSIN
HOG-BEEF FATTENING, CORN BELT
COTTON, DELTA OF MISSISSIPPI
CATTLE RANCHES, N. PLAINS
HOG-DAIRY, CORN BELT
DAIRY, WESTERN WISCONSIN
DAIRY, CENTRAL NORTHEAST
WHEAT-PEA, WASHINGTON-IDAHO
*COMMERCIAL FAMILY-OPERATED
°NONIRRIGATED
△IRRIGATED
U. S. DEPARTMENT OF AGRICULTURE
NEG. 55 (10)-753
AGRICULTURAL RESEARCH SERVICE

Figure 7

Table 12.- Cost of production, and related data, specified types of farms, 1954 1/

Type of farm and location	Per unit of production		Prices and rates paid 4/	Crop yields	Net farm production	Production	
	Total cost 2/	Operating expense 3/				Per hour of labor	Per unit of input
			Index numbers (1947-49=100)				
Dairy farms:							
Central Northeast	101	96	109	113	126	149	115
Eastern Wisconsin	110	117	118	122	110	127	105
Western Wisconsin	102	110	118	112	119	136	115
Corn Belt farms:							
Hog-dairy	105	104	114	124	124	128	115
Hog-beef raising	119	120	113	90	107	104	98
Hog-beef fattening	110	114	106	110	110	118	102
Cash grain	123	127	122	112	110	115	102
Tobacco farms:							
Tobacco-livestock (Kentucky)	112	114	121	122	116	120	109
Tobacco-cotton (North Carolina)	122	126	120	104	107	113	99
Cotton farms:							
Southern Piedmont	140	118	108	85	73	101	85
Delta of Mississippi	109	90	5/115	96	86	102	96
Black Prairie, Texas	134	120	112	82	82	111	89
High Plains, Texas (nonirrigated)	123	114	107	78	72	109	84
High Plains, Texas (irrigated)	117	115	105	135	127	112	92
Spring wheat farms (Northern Plains):							
Wheat-corn-livestock	123	121	115	95	101	100	90
Wheat-small grain-livestock	138	128	115	72	87	86	82
Wheat-roughage-livestock	124	125	113	92	103	95	89
Winter wheat farms:							
Wheat-pea (Washington and Idaho)	101	102	119	139	134	128	118
Sheep ranches:							
Northern Plains	121	122	117	91	109	100	97
Cattle ranches:							
Northern Plains	108	118	119	91	113	110	104
Intermountain region	119	140	115	92	105	106	93

1/ Preliminary. 2/ Includes charges for capital and unpaid labor. 3/ Includes property taxes but no interest. 4/ From table 11. 5/ Revised.

19-percent increase in cost rates largely because crop yields increased 39 percent. On northeastern dairy farms, where cost rates increased 9 percent and cost per unit of production increased only 1 percent, crop yields increased 13 percent and net farm production increased 26 percent.

On Southern Piedmont cotton farms, where cost rates increased 8 percent and cost per unit of production increased 40 percent, crop yields declined 15 percent and net farm production fell 27 percent from 1947-49 levels. Dry weather and the restoration of cotton acreage allotments were contributing factors.

Costs and Returns on 4 Selected Types of Farms in 1955

Net incomes of all farm operators are expected to average lower in 1955 than in 1954, but this is not necessarily true for individual farmers or even for groups of farmers who have been favored this year with better weather and higher crop yields or higher prices for their specific products.

A summary of changes in incomes and costs on 4 types of farms is shown in table 13. Of these 4 types, 3 had higher net incomes in 1955 than in 1954. For wheat and cotton farms, higher net incomes were the result of greatly improved crop yields from the low levels of 1954. On dairy farms in the central Northeast, higher net incomes were due chiefly to higher prices received for milk and lower prices paid for feed. The decline in incomes on hog-dairy farms was due primarily to lower prices for hogs.

These 4 types of farms are not intended to represent a cross-section of all farms in the country. But they do illustrate the effects of different changes in climatic and economic environment on net incomes of selected groups of farmers. In planning for 1956, farmers on each of these and other types of farms will be faced with a different set of circumstances.

In 1955 net incomes on commercial family-operated cotton farms in the Southern Piedmont will be higher than they were in 1947-49. For the other 3 types of farms illustrated, net incomes in 1955 will be lower than in 1947-49. Operating expenses on all 4 types are currently above those of 1947-49. Only on cotton farms and northeastern dairy farms are gross incomes above the 1947-49 average.

Dairy Farms, Central Northeast

On dairy farms in the central Northeast, net farm incomes in 1955 are expected to be about 5 percent above those of 1954. Both gross incomes and operating expenses are expected to be slightly higher than in 1954, but gross incomes are expected to rise more than expenses.

Net production on these farms will be slightly lower in 1955 than in 1954 largely because of lower hay yields. But production of milk per

Table 13.- Cost and returns, selected types of farms, 1954 and 1955 compared with 1947-49

Type of farm	Unit	Average 1947-49	Percent of 1947-49	
			1954	1955 1/
Dairy farms, Central Northeast:				
Gross farm income	Dollar	8,822	102	104
Operating expense	do.	4,930	115	116
Net farm income	do.	3,892	85	90
Cows, 2 years and over	Number	21.9	113	116
Prices paid (1947-49=100)	Percent	100	109	109
Net farm production (1947-49=100)	do.	100	126	124
Hog-dairy farms, Corn Belt:				
Gross farm income	Dollar	10,191	118	104
Operating expense	do.	4,552	129	131
Net farm income	do.	5,639	110	83
Pork produced	100 pounds	208.2	113	118
Prices paid (1947-49=100)	Percent	100	114	114
Net farm production (1947-49=100)	do.	100	124	128
Cotton farms, Southern Piedmont:				
Gross farm income	Dollar	3,581	76	100
Operating expense	do.	2,016	86	91
Net farm income	do.	1,565	63	112
Cotton	Acre	18.5	69	62
Other crops	do.	42.5	86	87
Prices paid (1947-49=100)	Percent	100	108	112
Net farm production (1947-49=100)	do.	100	73	101
Wheat-small grain-livestock farms, Northern Plains:				
Gross farm income	Dollar	10,801	71	95
Operating expense	do.	4,478	115	121
Net farm income	do.	6,323	40	77
Wheat	Acre	217	77	70
Other crops	do.	185	133	143
Fallow land	do.	87	119	131
Prices paid (1947-49=100)	Percent	100	115	116
Net farm production (1947-49=100)	do.	100	87	120

1/ Tentative estimates.

farm will be about 5 percent above 1954. Also, the price received for milk is expected to average about $0.10 per hundredweight above a year earlier.

Although total operating expenses did not change appreciably from 1954 to 1955, some change occurred for individual items. Feed costs were lower because of lower prices. Costs of several other items were higher in 1955, because of higher prices or because of an increase in volume of business. Real estate taxes continued to rise in 1955.

Hog-Dairy Farms, Corn Belt

Net farm incomes on hog-dairy farms in the Corn Belt are expected to average about $4,700 in 1955, or 24 percent below 1954. Most of the reduction in income is due to a 30-percent drop in the average price received for hogs and smaller declines in prices of corn and butterfat. Net farm production in 1955 averaged about 3 percent above 1954. Operating expenses rose about 2 percent.

Prices paid for goods and services used in production remained unchanged from 1954 to 1955. Because of the increase in net production, costs per unit of production declined about 1 percent. However, the big drop in hog prices and the smaller declines in prices of other products caused prices received for all products to drop about 16 percent. Operating expenses per farm continued to move up largely because of greater livestock production.

Cotton Farms, Southern Piedmont

If October 15 prices of cotton lint and cottonseed hold for the rest of the year, net farm incomes on Southern Piedmont cotton farms will probably average about $1,750, or about 75 percent above 1954. This large increase in net farm incomes will be due almost entirely to more favorable weather in 1955 than in 1954. The yield of cotton per acre will be the highest on record--414 pounds. The next highest was 345 pounds in 1948. The yield of corn in 1955, 27.5 bushels per acre, also was the highest on record. Although yields in the area have trended upward, because of improved practices such as increased fertilization, better insect control, and improved varieties, there is no evidence in this area of marked changes in practices since controls were reestablished in 1954.

Despite the reduced acreage of cotton in 1955, total production of cotton will be the highest since 1951. Net farm production on these farms was 1 percent above the 1947-49 average and the highest since 1948. Most of the land taken out of cotton in this area since 1953 has remained idle.

Assuming that the October price of cotton holds for the rest of the year, the index of prices received (1947-49=100) will drop from 105 in 1954 to 99 in 1955 while the index of prices paid will increase from 108 to 112.

Wheat-Small Grain-Livestock Farms, Northern Plains

In 1955, net farm incomes on wheat-small grain-livestock farms are expected to be nearly twice as high as they were in 1954. Most of the increase is due to much higher yields of wheat in 1955. Yields of durum wheat in 1955 averaged 13.0 bushels per acre compared with 3.5 bushels in 1954. Similarly, yields of other spring wheat were 14.1 bushels per acre compared with 8.6 bushels in 1954. Yields of other crops were slightly higher.

Prices received are expected to average about 5 percent lower in 1955 compared with a year earlier. With durum wheat selling above support prices and more durum to sell in 1955, greater receipts from the sale of durum offset to some extent the lower prices for most other commodities. Net production per farm in 1955 will be more than a third above that in 1954. In addition to higher crop yields, farms are slightly larger and livestock production also is larger.

Operating expenses per farm in 1955 will average about 5 percent above 1954, whereas prices paid are expected to rise about 1 percent. Most of the increase in costs results from the larger harvesting and hauling costs that are associated with greater production. Real estate taxes will be higher in 1955, but expenditures for hired labor will be lower because less hired labor was used.

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